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My ref:

Your ref:

The Earl of Caithness
Minister of State
Department of the Environment
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CDT
24/4.

John Major

24 APR 1989

WITH REQUEST IF REQUIRED

Thank you for sending me a copy of your letter of 21 April to Geoffrey Howe.

It is certainly to be regretted that the European Parliament and the Commission have both adopted these positions, despite the fact that the previous "common position" was only achieved after extensive debate between member states. The changes have, however, been welcomed by most shades of public opinion. Also, we now have very little room for manoeuvre since the Commission's proposals can only be amended by unanimity. The best course of action is to try as hard as we can to influence the Commission while they formulate their revised proposals. The four main points in your suggested approach to the Commission are right.

It is obviously a pity that the proposals, by requiring general use of three way catalysts, would impose a fuel consumption penalty so somewhat raising CO2 emissions. But the increases in CO2 emissions may well be offset over the next few years by the substantial further improvements in fuel efficiency available from other technical advances.

I agree nevertheless that we should encourage the Commission to think much harder about action to limit CO2 emissions. Neither they nor public opinion seem yet to have adequately recognised this trade-off. However we will need to consider very carefully before the Environment Council whether we should press this to the point of blockage of their proposals. We may not achieve much by that. In any event, I am strongly against pressing them to take action on speed limits as you suggest. This raises much wider road safety issues; and we have argued forcefully that action of this kind designed to influence driver behaviour should be left to national governments, not to the Commission. Our earlier opposition to three way catalysts was partly based on supporting the views of the British car manufacturing industry. However, the industry is now broadly in favour of the European Parliament's proposal and thinks that the

best solution is to end the uncertainty as soon as possible. This means that even if the proposal were rejected the manufacturers would not necessarily respond with sustained development of lean burn engines because in the ensuing free-for-all those offering three way catalysts would be in the most secure European marketing position. It would also be much better for the industry if it had to make all the changes necessary to meet the new limits in each vehicle range at the same time. A proposal for a staged implementation of new limits, as the Commission seems to have in mind, would cause many problems in both development and production.

Your suggestion that officials could pursue these points and still argue for the common position is a proper approach at this stage. It keeps all our options open, whilst recognising the likely flavour of the Commission's proposals. We should certainly insist on the points we see as essential requirements for as long as we can. But we must also face the fact that, as with our CO2 concerns, the Commission may not accept all, or indeed any, of our points. There may be no blocking minority and no prospect of unanimity on amendments to the Commission line. In that event we shall need to consider very carefully before the next Environment Council whether we must nevertheless agree to the Commission's proposals. The consequence of a fragmented market or a free for all among the Member States might prove to be even more unacceptable.

This matter is very urgent, and officials should start talking to the Commission early this week if we are to have any influence at all at this stage. We can consider our line for Council later, when we know for certain what the Commission will be proposing.

Copies of this letter go to the recipients of yours.

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PAUL CHANNON

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